

MEMORANDUM

TO: Peggy Boehm
Director
State Budget Agency

FROM: Janet G. McCabe
Assistant Commissioner
Office of Air Management

DATE: December 22, 2000

SUBJECT: Analysis of Fiscal Impact on State and Local Governments
LSA Notice #00-137 Emissions of Nitrogen Oxides

The Department of Environmental Management has prepared this analysis of the fiscal impact on State or local governments of new rules, 326 IAC 10-3, Nitrogen Oxide Reduction Program for Specific Source Categories, and 326 IAC 10-4, Nitrogen Oxides Budget Trading Program.

A copy of the draft rules describing the rule in more detail are attached. The draft rule will be presented to the Air Pollution Control Board for consideration to be preliminarily adopted on February 7, 2001. This rulemaking action and fiscal impact analysis are being submitted in accordance with Executive Order 2-89 and State Budget Agency financial management circular #89-1.

The Department has determined that the proposed rule will have the following impact on State or local government:

No fiscal impact _____

Insignificant fiscal impact _____X*_____

Significant fiscal impact _____

Economic Impact Under IC 4-22-2-28

Under IC 4-22-2-28, the Indiana Department of Environmental Management has estimated the economic impact of new rules 326 IAC 10-3 and 326 IAC 10-4 to be more than five hundred thousand dollars (\$500,000) on the regulated entities and a fiscal impact analysis has been submitted to the Office of Fiscal and Management Analysis, Legislative Services Agency.

Digest of draft rule

This rule regulates electricity steam generating units with a nameplate capacity greater than twenty-five (25) megawatts, industrial, commercial, institutional steam generating units that have a heat input capacity greater than two hundred fifty million (250,000,000) Btu per hour and certain cement kilns.

Effective date of final rule

Effective 30 days after filing with the secretary of state.

Estimation of expenditures affected by draft rules

None

Narrative discussion of fiscal impact

* Implementation and enforcement of the new rules will require no additional fiscal expenditures by IDEM and overall, will have no significant fiscal impact on units of state or local government. However, there is one municipally owned utility that will be subject to this rule and one state university. Compliance costs for Richmond Power & Light, owned by the City of Richmond, are estimated to be \$1.35 M for total ozone season costs. This is significant for this specific unit of government. However, this facility is also subject to a federal NOx reduction mandate. The costs will be incurred to comply with the federal rule whether or not the state rule goes into effect. Purdue University is subject to the rule and but is not expected to need to install additional emission control or monitoring equipment.

Estimated fiscal impact of draft rule

Insignificant impact

Current biennium (FY 1999-2001)

Insignificant impact

Next biennium (FY 2001-2003)

Insignificant impact

If you have any questions concerning this matter, please contact Pat Troth, Office of Air Management at (317) 233-5681.

Attachments

cc: C. Farrow